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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

9 December 1986

LIBYAN SANCTIONS UPDATE #8

This report contains information relevant to the US effort to impose sanctions on Libya. It covers the month of November and includes all West European countries plus Argentina, Brazil, Canada, Japan, and South Korea. Some countries are not mentioned because there were no significant developments.

This report was prepared by the West European Division, Office of European Analysis, with contributions from other offices. Questions and comments are welcome and may be addressed to [redacted] Chief, West European Division, [redacted]

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Copy 19 of 42

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BELGIUMActions Supporting US Sanctions

The US Embassy in Brussels reported in mid-November that Belgian officials gave reassuring responses to recent US demarches regarding a Belgian firm's possible sale of nuclear equipment to Libya. A Foreign Ministry official reiterated Brussels' determination to enforce a complete ban on sales of nuclear equipment or services to Tripoli, and agreed to ask the Justice Ministry to investigate the allegations. She also promised to alert the Ministry of Economic Affairs to be on the lookout for any requests for export licenses for equipment similar to that marketed by the company in question, Diversified Tech. [REDACTED]

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CANADAOverview

Ottawa has not changed its policy toward Libya and expects bilateral trade to be virtually nil this year following the imposition of economic sanctions in January. In addition, the Canadians actively supported US efforts to block Libya's UN resolution condemning the 15 April raid on Tripoli. [REDACTED]

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GREECE

Actions Supporting US Sanctions

Greek officials have strongly supported the work of the US oil certification team now that both Greek export refineries no longer use Libyan crude. [REDACTED]

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Actions Undermining US Sanctions

Athens abstained on the UN resolution condemning US actions against Libya and supported the EC intervention on the same topic. [REDACTED]

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IRELANDActions Undermining US Sanctions

[redacted] commercial transport flights between Shannon Airport and Libya will resume in mid-December and will carry meat exports to Libya. [redacted]

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ITALY

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Overview

In our opinion, recent revelations regarding US-Iranian dealings will make it more difficult for Washington to persuade Rome to restrict Italy's economic ties to Libya. For example, Defense Minister Spadolini -- the most ardent supporter of US anti-terrorist policy in Craxi's Cabinet -- last month refrained from criticizing Foreign Minister Andreotti's meeting with the Libyan Foreign Minister, explaining to a journalist that US-Iranian dealings had undercut his position. In addition, a recent press editorial, which probably accurately reflects Italian public opinion, cites an unnamed official in the prime minister's office who questions the appropriateness of singling out Libya for sanctions if Syria and Iran are excluded. [redacted]

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Actions Supporting US Sanctions

[redacted]

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Prime Minister Craxi has rebuffed attempts by Maltese Prime Minister Mifsud Bonnici to set up a meeting with Qadhafi. Craxi insists that the Libyan attack on Lampedusa last April and continued belligerent statements by Qadhafi against Italy make any such meeting impossible. [redacted]

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Actions Undermining US Sanctions

[redacted]

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Foreign Minister Andreotti met with Libyan Foreign Minister Mansur in Malta on 20 November -- the first official high-level meeting between the two countries since the April attack on Lampedusa. During the forty-minute meeting, Andreotti and Mansur discussed a number of bilateral economic and political issues. Andreotti reportedly refused Libya's demand for war damages resulting from Italy's colonial occupation of Libya and downplayed the idea of a Craxi visit to Tripoli. [REDACTED]

Despite Rome's repeated assurances that it was reducing imports of Libyan oil, statistics show that Italy imported 11.1 million metric tons of Libyan crude in the first nine months of 1986, up 14 percent from last year. Although the bulk of the increase was in the first quarter, no progress has been made on implementing the Andreotti plan -- introduced last June -- which calls for limiting imports to equity crude and debt repayments. Moreover, equity crude imports are likely to increase substantially toward the end of the year when production from the Bourri offshore oilfield -- in which AGIP has a half interest -- comes on stream. Libyan crude accounted for 71 percent of the Montedison refinery's total refinery runs in the first six months of the year. [REDACTED]

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JAPAN

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MALTA

Overview

Maltese-Libyan economic relations continue to slacken. Maltese exports to Libya have declined by 60 percent in the first six months of 1986 compared to the same period last year, due primarily to Libya's lack of cash. Libyan-owned companies in Malta have so far born the brunt of the sales decline. [REDACTED]

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Actions Undermining US Sanctions

Foreign Minister Alex Sceberras Trigona flew to Tripoli immediately after speaking at the CSCE conference in early November. He probably discussed Maltese proposals on Mediterranean security and terrorism made at the CSCE with Libyan Secretary of State for Foreign Affairs Ibrahim Bishari. [REDACTED]

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The Libyan Minister for Light Industry, Hassan Abdullati El Burghati, and a large trade delegation visited Malta on 6-10 November. During the visit the two countries ratified three treaties -- the Treaty of Friendship and Cooperation signed in November 1984, the agreement on cooperation signed in November 1985 and a trade agreement signed in December 1984 -- and also signed an agreement settling the continental shelf boundary dispute between the two

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countries. According to the US Embassy, Valletta ratified the treaties at this time in return for Libyan promises to increase purchases of Maltese goods and to pay outstanding debts owed to Maltese firms. [REDACTED]

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Maltese Prime Minister Mifsud Bonnici travelled to Tripoli on 19 November, one day before meeting Italian Prime Minister Craxi in Valletta. Mifsud Bonnici probably received last minute instructions on convincing Craxi to meet with Qadhafi. At the same time, Malta arranged a meeting between Italian foreign Minister Andreotti and Libyan Foreign Minister Mansur. [REDACTED]

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A conference on "Solidarity with the Arab People and its Central Cause, Palestine" was held in Malta on 3-5 November and was attended by representatives of the governing Malta Labor Party. The final communique strongly condemned US aggression against Libya. ([REDACTED])

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SPAIN

Overview

The Spanish government is opposed to the US oil certification scheme because of Spain's substantial economic ties to Libya, but has indicated to US officials that it will take no formal stance until an EC consensus emerges. Spanish officials have ruled out any unilateral action against Libya, fearing the collapse of sensitive negotiations between Spanish firms and Tripoli over \$200 million in past debts and further retaliation against Spanish workers in Libya. [REDACTED]

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Actions Undermining US Sanctions

In discussions with the US oil certification team, Spanish officials made clear that the certification idea has received a cold reception from the Spanish government. They also ruled out any unilateral action by Spain, adding, however, that they would make no final decision without an EC consensus on this issue. [REDACTED]

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A foreign ministry official in charge of economic affairs cited commercial reasons for Madrid's opposition to the oil certification proposal. He said that such restrictions would injure Spanish companies' chances of recouping about \$200 million in past debts, since there are currently delicate negotiations under way in which compensation in the form of crude oil is being discussed.

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He also said that if the US chose to pursue the certification initiative, Spain would lose regardless of its decision. He reasoned that if Madrid does not agree to the embargo, it could cost Spain its lucrative oil products trade with the US. If Madrid adopts the scheme, Spain would lose its competitive edge in the US market, since Libyan oil is very competitively priced and the transportation costs to Spain are low. [REDACTED]

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An MFA official responsible for North Africa told US officials that Spain is unwilling to join an oil embargo against Libya because Libyan crude oil accounts for over 13 percent of total crude processed by Spanish refineries. He added that once the crude is processed, there would be numerous problems involved in trying to identify the oil from Libya. He also questioned the US objective of destabilizing the Qadhafi regime, stating that his successor may be no better and perhaps more closely aligned to the Soviet Union. [REDACTED]

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TURKEY

Ankara is maintaining its usual military and economic contacts with Tripoli. [REDACTED]

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Actions Undermining US Sanctions

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Ankara abstained on the UN resolution condemning US actions against Libya. [REDACTED]

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WEST GERMANY

Overview

Bonn continues to oppose the use of economic sanctions on the grounds that they are ineffective and unenforcable.

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Actions Supporting US Actions

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An official from West Germany Economics Ministry has told the US it has information that there is a Libyan connection in the proposed sale of Esso's Hamburg refinery to the US firm Coastal Oil. Hearing the refinery would be closed, Libya agreed through middlemen to provide Coastal the funds for the purchase in order to guarantee an outlet for Libyan oil. Although Bonn would like to block the deal, it does not have enough information to legally do so at this time.

Actions Undermining US Sanctions

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Although Bonn was willing to exchange information and views on Libyan oil certification, it believes any certification arrangement would not be technically feasible in the West German case.

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SUBJECT: Libyan Sanctions Update #8 [REDACTED]

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